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C O N F I D E N T I A L SAN SALVADOR 000299

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SUBJECT: EL SALVADOR: SACA AT THE HALFWAY MARK

REF: A. 2006 SAN SALVADOR 712

- 1B. 2006 SAN SALVADOR 1166
- 1C. 2006 SAN SALVADOR 1193
- 1D. 2006 SAN SALVADOR 2204
- 1E. 2006 SAN SALVADOR 2922
- 1F. SAN SALVADOR 131

Classified By: Amb. Charles L. Glazer, Reasons 1.4 (b) and (d)

1. (C) SUMMARY: President Elias Antonio "Tony" Saca remains one of his country's most popular political figures, and has continued to consolidate the nation's democratic institutions while making significant progress in facilitating sustainable economic growth. His administration remains one of the United States' most trusted allies in the region; El Salvador is the only Latin American country with troops deployed to Iraq in support of coalition forces. However, Saca has recently witnessed a drop in his popularity ratings as Salvadorans become increasingly concerned over the nation's spiraling violent crime. Looking ahead to 2009 elections, it is clear that Saca must make continued progress in both economic growth and in fighting crime if ARENA is to retain its present strength in executive, legislative, and municipal government. END SUMMARY.

12. (C) Saca likely found little cheer in the results of March municipal and Legislative Assembly elections. Although ARENA won a plurality of 34 seats and, with the support of the 10 votes of its center-right National Conciliation Party (PCN) allies, can still pass routine legislation requiring only a simple majority, the loose center-left coalition with which it had previously negotiated measures requiring a two-thirds supermajority basically ceased to exist. In its place, the Farabundo Marti National Liberation Front (FMLN) now holds 32 seats (up from 24 prior to the election), and its orthodox-hardliner leadership is in no mood to help facilitate the President's legislative agenda. ARENA also lost the hotly-contested race for San Salvador's city hall, and although it carried 147 of the nation's 262 municipalities, those mayoral victories included none of the nation's large cities. (See reftel A.)

13. (C) During the latter half of 2006, polls began to show that for the first time during Saca's administration, crime had replaced the economy and employment as Salvadorans' highest-priority concern (see reftel D). El Salvador's homicide rate (presently circa 57/100,000 population/year) has nearly doubled in three years, and now ranks as the Western Hemisphere's highest. Rising levels of U.S. deportation of Salvadoran criminal aliens has become one of the few points of friction in what is otherwise an exceptionally-close and cooperative bilateral relationship.

14. (C) Citizens' worries about crime have not fallen on deaf ears at the Presidential Palace; Saca has worked hard in pushing judicial reform and other anti-crime measures, often

in close conjunction with the Embassy. As the 2003-2006 Legislative Assembly drew to a close in late April, the Embassy successfully lobbied ARENA to pass and fund a Witness Protection Law (see reftel C). More recently, Saca's party led the way with an Organized Crime Law that includes model RICO anti-organized-crime elements provided by the Embassy; the Law aims to attack the near-impunity with which Salvadoran gangs operate vast extortion rings and other criminal rackets. However, although the President's new crime commission, which will oversee implementation of many of these measures, includes a number of highly-regarded figures, many lack expertise in crime and law enforcement issues. Another of President Saca's key legislative accomplishments was passage of a comprehensive and robust Ethics Law, whereby an Ethics Tribunal will oversee all public-sector employees as well as government contractors (see reftel B). However, a July deadline to name its members was ignored, and the tribunal is not yet up and running.

¶5. (C) Saca has found innovative ways to address poverty despite the government's severely-restrained resources; his "Solidarity Net" program pays modest direct subsidies to the nation's very poorest families, and encourages them to keep their children in school. Under Saca's leadership, El Salvador became the first nation to ratify and to implement CAFTA; early statistics regarding the agreement's effect on trade are encouraging. El Salvador is also the first Lower Middle Income Country to achieve a compact with the Millennium Challenge Corporation (MCC); a \$461 million project centered on a new highway across northern El Salvador will bring much-needed sustainable economic development to a region heretofore isolated and economically-depressed. Lastly, the Salvadoran economy, long mired in lackluster growth rates and high underemployment, has shown signs of improved growth (4.2 percent GDP) during 2006. Saca's progress on the economic front has been outlined more fully in reftel F.

¶6. (C) Bilateral military-to-military relations have remained close through Saca's tenure. Although polls repeatedly show that deployment of Salvadoran troops to Iraq is unpopular with a majority of Salvadorans, an eighth contingent of the Cuscatlan Battalion recently departed to join coalition forces in Iraq. (Note: Although most Salvadorans oppose deploying troops to Iraq, many subscribe to the belief that, because of its participation in the coalition, El Salvador receives preferential treatment from the U.S., including the Millennium Challenge Account project and continued extensions of Temporary Protected Status. End note.) The Embassy expects approval of a comprehensive Status of Forces Agreement (SOFA) in short order. The Agreement, only the Western Hemisphere's second, will greatly facilitate frequent U.S. military humanitarian missions and other bilateral military exercises. A GSOMIA agreement enabling bilateral sharing of military intelligence has already been approved and will be signed shortly.

¶7. (C) While most international watchdog groups such as Transparency International rank El Salvador as one of Latin America's least-corrupt governments, there remains an undercurrent of public discontent regarding perceived inefficiency, cronyism, and even malfeasance in use of public resources. This suspicion and dissatisfaction manifest themselves in, among other ways, widespread tax evasion. Persistent and credible rumors of corruption plagued Public Works Minister David Gutierrez Miranda throughout the first half of Saca's term; citing health issues, Gutierrez quietly stepped down in December in conjunction with other cabinet changes (see reftel E).

¶8. (C) COMMENT: Saca's greatest success has been in using his natural charisma to bring the presidency closer to the electorate than ever before. However, notwithstanding his still-considerable personal popularity, daunting challenges lie ahead for the administration. Many citizens' perception that the country's political class is corrupt, combined with a sense that the benefits of its free-market economy have not extended to all classes, combine to create fatigue with ARENA

after the party's three successive administrations. Saca must also make significant advances in addressing violent crime before the 2009 elections, or risk ARENA's losing everything, and the FMLN opposition is in no mood to cooperate by approving international loans to augment security forces. He must continue to create greater economic opportunities for Salvadorans, who by some estimates are departing the country at the rate of hundreds per day in search of better economic opportunities in the United States.

Lastly, ARENA's choice of a 2009 presidential candidate will be key to retaining the Casa Presidencial for the fourth consecutive time since war's end. Given Saca's reported fixation on the choice of Minister of Public Security and Justice Rene Figueroa as ARENA's 2009 presidential candidate, despite Figueroa's vulnerability to being blamed for the country's crime problem, it remains unclear whether the administration fully appreciates the dire straits in which it might find itself on election day.

Butler